

HOUSING MARKET OUTLOOK

Peterborough CMA



CANADA MORTGAGE AND HOUSING CORPORATION

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Market at a Glance

- Existing homes sales will decline slightly in 2012 and 2013
- Peterborough home prices will remain relatively flat over the next two years
- Housing starts will increase in 2012 and 2013 with more single-detached homes being constructed
- A reduction in the unemployment rate is expected over the next two years

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Figure 1



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¹ The forecasts included in this document are based on information available as of April 27, 2012.

Resale Market

Sales and prices to remain steady

A considerable increase in employment beginning in late 2011 will stimulate higher sales activity in the first half of 2012 and into 2013. Generally there is a delay of six to nine months between growth in employment and growth in sales. As employment stabilizes and mortgage rates rise in 2013, sales will begin to slow down later in the year. On average sales will be almost the same in 2012 as they were in 2011 and slightly lower in 2013. First time buyers will enter the market less frequently as job growth slows and homeownership becomes less affordable. The decision to postpone their first purchase will be one factor contributing to a lower vacancy rate in the rental market in both 2012 and 2013. Demand will continue from older migrants looking for more affordable housing than is available in neighbouring GTA and Durham regions. Their decision to purchase tends to be influenced more by prices which will increase modestly over the next two years. Tighter mortgage market conditions affect this group less as they typically have built up more equity for their down payment.

On the supply side, sellers will have less motivation to list their homes for sale in the next two years. Repeat buying will slow down as modest price growth combined with higher mortgage rates make it more difficult to upgrade to a more expensive home. The Peterborough real estate market did not generate the higher than anticipated price growth and sales activity that some Ontario CMAs had

in the first quarter of 2012. Compared to those regions a smaller adjustment in price and sales are expected for the remainder of this year and 2013. A roughly proportionate decrease in sales and listings will keep Peterborough in a balanced market position. Consequently prices will increase modestly over the next two years.

The income required¹ to carry a mortgage has increased at a faster rate than actual incomes in each year from 2009 to 2011. Higher prices contributed to an increase in required incomes, while wages grew at a relatively slow rate. In 2012 the cost of housing will not change as both required and actual incomes will grow at a similar modest rate. Prices will stabilize and mortgage rates are not expected to increase this year, keeping required income relatively flat while wages will be flat at best. Required income will increase faster than actual

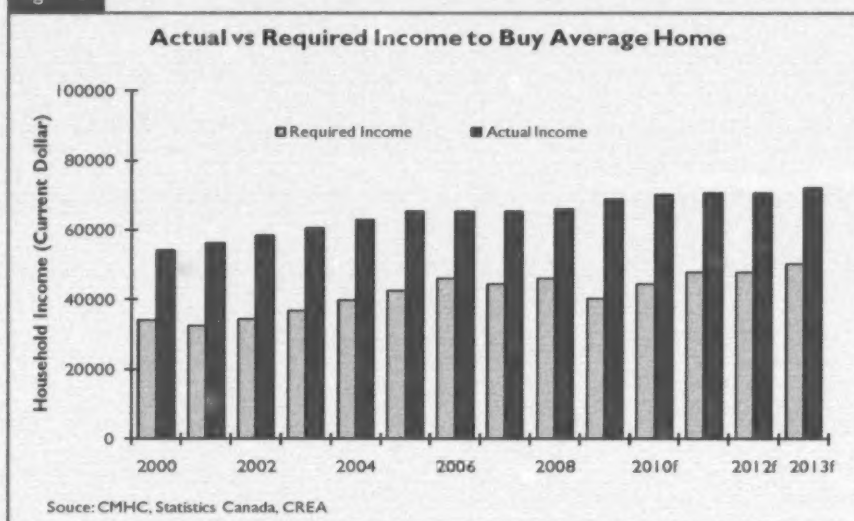
income in 2013 with the anticipated rise in mortgage rates.

New Home Market

Increase in starts expected during 2012 and 2013

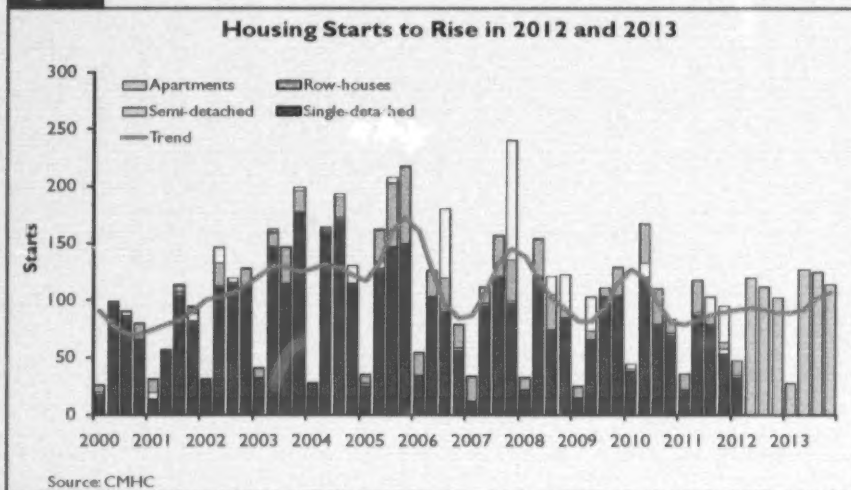
New home starts in Peterborough CMA are expected to increase in 2012 and 2013 due to a recovery in employment and a larger population. Growth will occur primarily in the construction of single-detached homes, which make up more than two thirds of total starts. A decline in employment from 2008-2010 led builders to slow down construction of high priced single-detached dwellings. Average new home prices have been trending downward more than median new home prices, evidence builders adjusted to market demands. Instead their focus was directed towards producing higher density subdivisions consisting of more affordable single-

Figure 2



¹ Required income is mortgage carrying costs divided by .32 to reflect the usual qualifying criteria of most lenders. Mortgage carrying costs are based on a ten per cent downpayment, the posted fixed five-year mortgage rate and a 35 year amortization.

Figure 3



detached and row housing. Greater production of these smaller, less expensive single-detached homes will occur over the next two years as incomes have increased only modestly since the employment recovery.

Population growth is one of the key determinants of housing starts. In Peterborough the population grows from net migration as the natural rate of population change is negative, with deaths exceeding births. An increase in housing starts over the next two years corresponds with the much higher level of positive net migration into Peterborough CMA since 2010. Since household size is relatively low in Peterborough the current level of starts matches population growth fairly closely. Employment is expected to rise in 2012 and decline modestly in 2013. Consequently further increase in migration is not expected but it will continue at the current high level.

Local Economy

Unemployment rate to fall in 2012 and 2013

In 2012 employment growth will be strong and the labour force will be larger than the historical average for Peterborough. Unemployed workers who stopped looking for jobs when the economy was weaker will be encouraged to seek employment again. Most job vacancies will be filled this year, causing employment to ease in 2013 but remain at a level not realized since before the economic downturn. In 2013 the unemployment rate will fall below nine per cent for the first time in three years.

Employment had been trending upward in the goods-producing sector since the beginning of 2011, coinciding with a rebound in the US auto manufacturing industry which employs a number of Peterborough residents. While employment in the goods-producing sector will remain strong, over the next two years

employment growth will come more from the service sector. In recent years Peterborough CMA has gained residents from 45 to 64 years old more than any other age group. An older population has a greater need for medical and social services. An upward trend in the service producing sector had just started during the 2011 fourth quarter and will continue for the remainder of 2012.

Mortgage Rate Outlook

CMHC uses publicly available information and the consensus among major Canadian forecasters as a basis for its interest rate forecast. Although there is significant uncertainty, consensus forecasts suggest that interest rates are not expected to rise until at least later in 2012, but will remain low by historical standards, thus supporting the Canadian housing market.

According to CMHC's base case scenario, posted mortgage rates will increase near the end of 2012. For 2012, the one-year posted mortgage rate is expected to be in the 3.1 to 3.6 per cent range, while the five-year posted mortgage rate is forecast to be within 5.0 to 5.4 per cent. For 2013, the one-year posted mortgage rate is expected to rise with interest rates and be in the 3.5 to 4.1 per cent range, while the five-year posted mortgage rate is forecast to be within 5.1 to 5.6 per cent.

**Forecast Summary
Peterborough CMA
Spring 2012**

	2009	2010	2011	2012f	% chg	2013f	% chg
Resale Market							
MLS® Sales	2,458	2,537	2,507	2,500	-0.3	2,480	-0.8
MLS® New Listings	4,578	5,032	5,043	4,850	-3.8	4,980	2.7
MLS® Average Price (\$)	236,637	249,763	254,605	258,000	1.3	260,000	0.8
New Home Market							
Starts:							
Single-Detached	286	306	239	260	8.8	280	7.7
Multiples	85	98	112	110	-1.8	110	0.0
Semi-Detached	0	16	6	4	-33.3	10	150.0
Row/Townhouse	55	78	58	88	51.7	70	-20.5
Apartments	30	4	48	30	-37.5	30	0.0
Starts - Total	371	404	351	370	5.4	390	5.4
Average Price (\$):							
Single-Detached	348,765	313,278	330,749	336,000	1.6	325,000	-3.3
New Housing Price Index (% chg. Ontario)	0.1	2.4	3.6	n/a	-	n/a	-
Rental Market							
October Vacancy Rate (%)	6.0	4.1	3.5	3.0	-	2.5	-
Two-bedroom Average Rent (October) (\$)	875	890	899	910	-	930	-
Economic Overview							
Mortgage Rate (1 year) (%)	4.02	3.49	3.52	3.37	-	3.78	-
Mortgage Rate (5 year) (%)	5.63	5.61	5.37	5.26	-	5.37	-
Annual Employment Level	59,200	57,200	57,700	56,450	-2.2	55,800	-1.2
Employment Growth (%)	-6.3	-3.4	0.9	-	-	-	-
Unemployment rate (%)	7.5	9.7	9.4	9.8	-	9.7	-
Net Migration	331	964	962	400	-58.4	490	22.5

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)

NOTE: Rental universe = apartments 3+

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